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## **China - Peoples Republic of**

**Post:** Chengdu ATO

### **Chengdu Retail Promotion Activity Report**

#### **Report Categories:**

EXPORT PROMOTION PROGRAMS

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#### **Report Highlights:**

The first ATO Chengdu large-scale retail promotion was held at Chengdu ItoYokado Stores in November 2009 to enhance the development of U.S. agricultural products in the Southwest China market, promote U.S. food culture, and let consumers experience high-quality U.S. food products. Participating cooperators included the state regional trade groups Food Export, the dairy association, California almond, table grape commission, and the poultry association. During the 6-day promotion, ItoYokado reported U.S. products sales of \$33,195, of which U.S. packaged snack food sales increased an average of 62% from the same time of last year. A total of 122 American food products, including 68 new-to-market products, were promoted at three locations of Chengdu ItoYokado stores.

## **General Information:**

Activity Name: Chengdu Retail In-Store Promotion – American Experience, Contemporary Living

Activity Date: November 10 – November 15, 2009

Activity City: Chengdu, Sichuan Province, China

## **Background**

### Chengdu Market

Chengdu, the capital and cultural center of Sichuan province, is a prime target for U.S. agricultural exports as an emerging city market in China's heartland. With a population of over eleven million and a land area of 12,000 square kilometers (4,632 square miles), Chengdu is the wealthiest and most advanced city in Southwestern China. Even though Chengdu accounts for only 12 percent of Sichuan's population, it made up 32 percent of the province's GDP in 2007. Its prosperity, high standard of living, and quality of life has given the city a reputation of being an easy place to move to, but a hard place to leave. This rapidly-expanding market offers exporters a market with double-digit growth rates, increasing demand for imports, less market saturation than the major coastal city markets, and a passion for food.

### Growing Market for U.S. Agricultural Exports

The economic growth the region is experiencing is raising incomes and increasing the market for foreign products. Even though Chengdu accounts for only 12 percent of Sichuan's population, it made up 32 percent of the province's GDP in 2007. Chengdu's gross domestic product increased by nearly 17 percent in 2007 to USD 49 billion, while its per capita disposable income grew by 16 percent in the same year to USD 1,997. The rapid economic development is fueling increased expenditure on higher quality and imported foods.

### Retail Sector - Chengdu ItoYokado Co., Ltd

The retail sector in Chengdu is highly competitive. Major retail giants such as Carrefour, Auchan, Wal-Mart, Metro play a dominant role in this sector, and other department store supermarkets such as ItoYokado, Wang Fujing, Estan, Renhe Chuntian, Parkson are premium high class supermarkets with more imported food products targeting middle- to upper-income consumers. ItoYokado is one of the largest international retailers and the only one with procurement and marketing located in Chengdu. In addition, ItoYokado is the largest premium supermarket/department store and one of the best sellers of imported food products in Chengdu.

## **Objectives**

- Promote the high quality and safety image of U.S food products
- Increase local consumer's awareness of U.S. food products, food culture and trend
- Introduce more varieties of U.S. food products to consumers and media in Chengdu and Southwest China
- Assisting distributors' distribution channels with retailers
- Increase the sales of U.S. food products thus increase U.S. exports

## Constraints & opportunities

Constraints	Opportunities
High price compare with domestic products	Raising income of residents
Limited distributors and suppliers of U.S. food products	Increased awareness of U.S. food products
Lack of stable cold chain	Food safety becomes a big factor for choosing food products
Limited varieties/choices of U.S. food products	More retailers are interested in imported food products/U.S. food products

## Results and outcomes of the promotion

The retail promotion at ItoYokado's stores directly influences their procurement management's decision. ItoYokado reported over one million people visited their three stores during the six-day promotion, about half of them made purchases. As ItoYokado opened its fourth store in November and fifth, sixth store next year and later in Chengdu, much more imported agricultural products will be brought into their stores and their customers, and this poses great opportunities for U.S. agricultural products.

During the 6-day promotion, ItoYokado reported U.S. products sales of \$33,195, of which U.S. packaged snack food sales increased an average of 62% from the same time of last year. A total of 122 American food products, including 68 new-to-market products, were promoted at three locations of Chengdu ItoYokado stores.

Item Description	Results
U.S. products sales	US \$33,195
Increase rate during promotion	62%
Number of products introduced	122
Number of new products introduced	68
Number of promotional materials handed out	450,000
Number of visiting consumers	Over 1,000,000
Number of Media reported the event	10

## Recommendations & Suggestions:

### Organizational Requirements:

- Schedule far in advance: schedule at least 6 months in advance to ensure enough time for preparation
- Find the right partner: your partner's cooperative level is essential to your event's success
- Sign a detailed contract or agreement with your partner to ensure you get all the services and assistance you require
- Choosing the right time for your promotion: do your event at the right season would bring you much more varieties of U.S. agricultural products, especially for fresh delicious fruits products

- Contact cooperators/sponsors far in advance and make sure their sponsorship/products donation be delivered in time

#### **Market Needs:**

- Prepare media press kit early to ensure media coverage before the event start date
- Prepare consumer survey forms and activity evaluation forms to collect necessary information

#### **Industry Needs:**

- Contact the retailer early to discuss business patterns and details during the event and post-event
- Prepare product samples early to ensure delivery in time
- Contact the distributors about stock availability and distribution channels requirements for the promotion
- Prepare enough POP materials and small gifts if possible which are very popular during in-store promotions

#### **Cost**

Fund Source	Cost (USD)
EMP (Distributor Development Program)	\$8,000
CSSF	\$4,000
Cooperator Contribution	\$2,000
Total	\$14,000

#### **Further Information and Contacts**

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